



State of California
Employment Training Panel

Arnold Schwarzenegger, Governor

January 29, 2009

Justine Milberg
Vice President, Talent Acquisition and Development
Pacific Life Insurance Company
700 Newport Center Drive
Newport Beach, CA 92660

Dear Ms. Milberg:

Enclosed is our final audit report relative to the Employment Training Panel Agreement No. ET04-0438 for the period October 6, 2003 through October 5, 2005.

The report indicates Pacific Life Insurance Company complied with the terms of the Agreement and the California Unemployment Insurance Code. Based on our audit testing results, we congratulate you on your excellent maintenance of training records.

We appreciate the courtesy and cooperation extended to our auditor during the audit. If you have any questions, please contact Stephen Runkle, Audit Manager, at (916) 327-4758.

Sincerely,

Original signed by:

Stephen Runkle
Audit Manager

Enclosures

cc: Amberlee Taylor, Operations Manager, Talent Acquisition and Development

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PACIFIC LIFE INSURANCE COMPANY

Agreement No. ET04-0438

Final Audit Report

For The Period

October 6, 2003 through October 5, 2005

Report Published January 29, 2009

Stephen Runkle, Audit Manager
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AUDITOR'S REPORT

Summary

We performed an audit of Pacific Life Insurance Company, Agreement No. ET04-0438, for the period October 6, 2003 through October 5, 2005. Our audit pertained to training costs claimed by the Contractor under this Agreement. Our audit fieldwork was performed during the period September 17, 2007 through September 21, 2007.

The Employment Training Panel (ETP) paid the Contractor a total of \$531,086.98. Our audit supported that the entire \$531,086.98 is allowable.

FINDINGS AND RECOMMENDATIONS

Background

Pacific Life Insurance Company (Pacific Life) provides life and health insurance products, annuities, mutual funds, group employee benefit plans, and a variety of investment products to individuals, businesses, pension plans, and union groups across the United States. Competitors are located in the Northeast United States and other countries around the world. Pacific Life's worldwide headquarters are located in Southern California.

This is the third Agreement between Pacific Life and ETP. The first and second ETP Agreements provided the company's frontline workers with the skills needed to launch the Pacific Life Academy training initiatives. Those projects included the training needed to allow the Academy to deliver training in a variety of computer and business skills. However, this Agreement focused on developing enhanced customer service and customer trust to increase market share, which depended upon the development of new business products and work processes critical to the company. Therefore, this training project provided for training in Business Skills, Computer Skills, Management Skills and Advanced Technology.

This Agreement allowed Pacific Life to receive a maximum reimbursement of \$558,000 for retraining 2,000 employees. During the Agreement term, the Contractor placed 1,530 trainees and was reimbursed \$531,086.98 by ETP.

Objectives, Scope, and Methodology

We performed our audit in accordance with *Government Auditing Standards*, promulgated by the United States General Accounting Office. We did not audit the financial statements of Pacific Life Insurance Company. Our audit scope was limited to planning and performing audit procedures to obtain reasonable assurance that Pacific Life Insurance Company complied with the terms of the Agreement and the applicable provisions of the California Unemployment Insurance Code.

Accordingly, we reviewed, tested, and analyzed the Contractor's documentation supporting training cost reimbursements. Our audit scope included, but was not limited to, conducting compliance tests to determine whether:

- Trainees were eligible to receive ETP training.
- Trainees received the minimum training hours specified in the Agreement.
- Trainees were employed continuously full-time for 90 consecutive days after completing training, and the 90-day retention period was completed within the Agreement term.

FINDINGS AND RECOMMENDATIONS

- Trainees were employed in the occupation for which they were trained and earned the minimum wage required at the end of the 90-day retention period.
- The Contractor's cash receipts agree with ETP cash disbursement records.

As part of our audit, we reviewed and obtained an understanding of the Contractor's management controls as required by *Government Auditing Standards*. The purpose of our review was to determine the nature, timing, and extent of our audit tests of training costs claimed. Our review was limited to the Contractor's procedures for documenting training hours provided and ensuring compliance with all Agreement terms, because it would have been inefficient to evaluate the effectiveness of management controls as a whole.

Conclusion Our audit supported Pacific Life Insurance Company complied with the terms of the Agreement and the California Unemployment Insurance Code. As a result, the entire reimbursed amount of \$531,086.98 is allowable.

Records Please note the ETP Agreement, Paragraph 5, requires you to assure ETP or its representative has the right, "...to examine, reproduce, monitor and audit accounting source payroll documents, and all other records, books, papers, documents or other evidence directly related to the performance of this Agreement by the Contractor... This right will terminate no sooner than four (4) years from the date of termination of the Agreement or three (3) years from the date of the last payment from ETP to the Contractor, or the date of resolution of appeals, audits, or litigation, whichever is later."

Stephen Runkle
Audit Manager

Fieldwork Completion Date: September 21, 2007

This report is a matter of public record and its distribution is not limited. The report is intended for use in conjunction with the administration of ETP Agreement No. ET04-0438 and should not be used for any other purpose.